

NAC Foundation, LLC - AML  
Date: April 2, 2018

**WATLEY**

## INTERNAL MEMO – SCOPE

### The Watley Group Deal Team

Lead: John Bryan  
Execution: John Langdon  
Relationship Support: George Getz, Morgan Stanley

### NAC Foundation, LLC & The Watley Group Scope - Summary

The Watley Group proposes ~~and~~ two-pronged approach to supporting and facilitating the NAC Foundation ("NAC") and ~~its ABTC & the AML Bitcoin ("ABTC") launch.~~

First, ~~we will work to partner with the various players currently bidding on the Chicago Stock Exchange.~~ ~~Second,~~ through the Morgan Stanley ("MS") network of relationships, we develop interest in the financial community to support ABTC as it starts trading on digital currency exchanges, creating market maker opportunities. We will also seek to facilitate a special private sale of ABTC to MS parties to further incentivize their participation in the trading of ABTC on the exchanges;

Second, ~~working with the MS network (or even outside that network, if required) we will facilitate joining NAC into any serious bid to acquire the Chicago Stock Exchange (CSX), including but not limited to the efforts of Overstock/T-Zero, the NYSE and any other major bidder. will connect NAC with various key players in the ICO and blockchain market to build prospective partnerships and arrangements with key players to participate and support the ABTC and AMLBit listings, while developing potential partnerships around utilizing NAC's IP for various initiatives. Our goal is to bring in big names in the space, from various angles, to provide both market and PR and marketing support.~~

### ABTC Trading Support

As we know, much of the success of various offerings has been driven by the players involved and highly effective marketing and PR. Providing NAC with relationships and potential partnerships with some key players will facilitate NAC's token and coin offering. This can come in various forms, including outright market purchases, potential partnerships with various big-name players, including investment directly in our initiative, potential board representation, or any affiliation with these key names that we can utilize for marketing and press coverage.

These relationships are coming from John Bryan, John Langdon (formerly with KKR, etc.), and George Getz and the MS relationship ecosystem. These include, to name a few, Peter Getz with tZero, John Burbank at Passport Capital, Victor Angermueller at AX Trading, Adrian Steckel at Uphold, Rengen, Argon Group, Elena Kvrochko at Barclay's (this could be key), Richard Breeden, the former Chairman of the SEC, among many others. Our prospective list of "key relationships" is approaching over 40 players while we work to get them engaged. GOOD; LEAVE PARAGRAPH IN.

NAC has a powerful and unique story, but without the right players, marketing, PR, and support, it is easy to get lost in the sea of 1,599 tokens and coins in the market as of today. NAC has done yeoman's work marshalling many investors, key players, and hedge funds. Adding "blue chip" names to the group is critical to garnering attention, facilitating the offering, and most importantly, getting our technology and IP known in

**Commented [J1]:** The only thing they are interested in is you guys setting up market makers, and also a large (10M?) block sale of coins outside the trading. The ICO is over, so there is no additional sale of coins possible – other than a special sale to MS people and partners. All language about building relationships, marketing, etc should come out, since he will read that as just treading water. Either we can deliver MS et al to buy a big block, and a bunch of funds to do market making during trading, or he won't be interested – so all of this needs to be redone. I moved this ahead of the CSX since I wanted to get MS mentioned asap. DON'T FORGET: HE BELIEVES THAT SEVERAL MS PEOPLE ARE WORKING RIGHT NOW AT WATLEY TO SET UP THE CSX DEAL AND ORGANIZE MARKET MAKERS. ANYTHING DIFFERENT IS A PROBLEM.

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the core crypto currency ecosystem. Although we are proposing to meet with many groups, all it takes is one and the added value to NAC and the offering will be meaningful.

#### Polyblock

Polyblock Capital, and particularly Quintin Miller, are gatekeepers to both our MS relationship and to various large dark capital pools. Our call with Polyblock was not intended to bring in capital, but rather get their view on proof on concept, while beginning to get their network engaged in the project. Polyblock was a due diligence call and a stamp of approval relative to pressing our overall effort.

Polyblock continues to believe NAC has a unique story, their interest has gained momentum, and they're following our effort very closely. It is likely they will trade in the token post-listing. More importantly, they've been socializing AMLBit within their network, giving us some new visibility in the market. They are fully supportive of our effort.

Polyblock's support has provided positive influence with MS and many doors are opening for us now.

#### Chicago Stock Exchange

The Chicago Stock Exchange is in play and the deal is proposed to be closing within 2 weeks. Additionally, the bids are approaching \$100mm, so creating a lead group to enter the process at this stage is a low-yielding approach. I DON'T THINK THIS IS THE WAY TO WORD THIS. YOU SHOULD JUST COME OUT AND SAY THAT THE DEAL IS MOVING; THERE IS A 2 WEEK WINDOW; IT WAS NEVER OUR INTENT TO CREATE OUR OWN BID, BUT TO PARTNER WITH OTHER BIDS, ESPECIALLY THE WINNING BIG; THAT THE LEADING BIDS SO FAR ARE NYSE AND OSTK/T-ZERO; THAT THIS IS WHAT WE ARE DOING TO GET CLOSE TO THOSE BIDS; THAT WE ARE MONITORING OTHER BIDDERS; THAT, AS SOON AS ANY OTHER BIDDERS EMERGE, WE WILL APPROACH THEM; THAT WE ARE USING THE PATENTS AS OUR MAIN LOBBYING TOOL, THAT NO WINNER CAN PROCEED TO IMPLEMENT THE AML/KYC THEY WILL NEED WITHOUT THE NAC PATENTS; ETC. WE HAVE TO SHOW HIM WHAT WE ARE DOING TO GET INTO THOSE BIDS AND WHAT WILL HAPPEN IN THE NEXT TWO WEEKS Importantly, we are marginally indifferent to the winner of the bidding process. We want to partner with whomever is going to win the day and propose the offer participation potentially in the form of a small cash equity purchase, warrants, etc., for a small piece of the deal, but critically, to partner with the winning bidder as their technology of choice for the exchange platform. I KEEP TELLING YOU GUYS NOT TO PROPOSE THAT WE PUT UP MONEY, BUT RATHER TO FOCUS ON THE PATENTS, BUT I GUESS I'M NOT BEING VERY CLEAR. OUR VALUE IS NOT FOR OUR MONEY, IT IS FOR OUR PATENTS. WITHOUT OUR PATENTS, THE WINNING BID CANNOT OPERATE, BECAUSE WE WILL SUE. WE NEED TO BE A SERIOUS PART OF THE WINNING BID, AND WE NEED TO BE ABLE TO INTEGRATE OUR COIN INTO THE EXCHANGE IN A MEANINGFUL WAY. THAT'S WHY WE WANT TO DO THIS DEAL, BECAUSE THE PUBLICITY FROM DOING THE CSX DEAL WILL GREATLY AID ABTC.

We want to partner with as many bidders as possible, thereby partnering with the winning bid. There are various bidders, that is clear, and it appears the current lead horse in the race is the NYSE and Morgan Stanley bid. AGAIN, WE HAVE TO WORD THIS AS IF WE ARE WORKING WITH MS ACROSS THE BOARD (AND WE NEED TO FIND A WAY TO DO THAT!) AND THAT, IF FOR SOME REASON SOMEONE ELSE (OTHER THAN MS) WINS, THEN WE WILL PIVOT TO THEM. We are currently working through the MS network relative to bringing in some powerful players in the space to support the AML project and have received much support. At this stage, however, MS is not representing

**Commented [J2]:** Most of this can stay in, but again, he expects that you will get this moving quickly and he expects results – not meetings. Meetings are a tool to get a result – they are not a result on their own. He has fired tons of consultants who couldn't deliver more than meetings. Don't put yourself in their group.

**Commented [J3]:** WE CANNOT SAY THAT POLYBLOCK IS THE GATEKEEPER TO THE MS RELATIONSHIP! GEORGE IS THE GATEKEEPER, BUT DON'T EVEN USE THAT PHRASE. HE EXPECTS THAT WE HAVE A RELATIONSHIP WITH MS BASED ON THE ABOVE NOTE.

**Commented [J4]:** Marcus wasn't on that call: I was. No need to mention the call. It was I who was concerned about that call, not Marcus.

**Commented [J5]:** FRANKLY, I THINK WE SHOULD TAKE OUT THE WHOLE POLYBLOCK SECTION. IT ONLY CONFUSES. THAT WE HAD A DUE DILIGENCE CALL WITH POLYBLOCK IS INTERESTING, AND IT SHOULD BE PART OF A CRITICAL PATH TIMELINE – WHICH I DO NOT SEE IN THIS DOCUMENT, AT LEAST NOT YET? – IT IS NOT WORTHY OF ITS OWN SECTION

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NAC in any way at this stage. WE CANNOT SAY THIS!!! WE HAVE TO EITHER CHANGE THAT, BY, INSTEAD, AFFIRMATIVELY ASSERTING WE ARE WORKING WITH GEORGE AND MS PERSONNEL, OR DO SOMETHING ELSE ON THIS. The NYSE and MS bid, however, provides a perfect vehicle to now move inside the MS system and partner with them. This would clearly provide potent support, marketing, and PR initiatives. THIS IS THE REVERSE OF WHAT HE HAS BEEN LED TO BELIEVE – THAT WE ARE FIRST (NOW!) WORKING WITH MS AND THEN WORKING TO GET CSX.

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The Overstock tZero group is also taking a run at the deal. Peter Getz, George Getz's brother, is a key player in the tZero group and we will also work to partner with them on their bid, providing potential cash, but critically, our IP. AGAIN, CASH IS NOT WHAT WE ARE NEEDED FOR.

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There are likely other bidders and we will work to ascertain those players and work to partner with those bidders as well. Again, whether it's the NYSE, KKR, or Apollo, e.g., we are agnostic, know those players, and will get us in front of the right people to make our partner pitch. ALL THIS NEEDS TO BE REWORDED BASED ON MY COMMENTS ABOVE.

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~~Simply put, we give the exchange the only patent pending identification verification platform and, once we've illustrated the strength of our IP, we will become a key comparative advantage to whichever group(s) chooses to partner with NAC. We have tangible value to all players and need to engage them and provide our story and offer. Our mission is to be the winning bidder's technology backbone.~~

~~Having our own bid, at \$100mm, etc., is unnecessary, improbable under the time constraints, and frankly not the ideal approach for NAC. We don't want to be in the real estate game, but rather the IP game and platform of choice for any bidder. This dynamic has increased our odds of success demonstrably and we're enthusiastic about the current state of play.~~

#### **ABTC & AML Bitcoin Support**

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